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**THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION**

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**If you are in any doubt** as to any aspect of this circular or as to the action to be taken, you should consult your stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

**If you have sold or transferred** all your shares in 139 Holdings Limited (the “Company”), you should at once hand this circular together with the enclosed form of proxy to the purchaser or the transferee or to the bank, stockbroker or other agent through whom the sale or the transfer was effected for transmission to the purchaser or the transferee.

The Stock Exchange of Hong Kong Limited takes no responsibility for the contents of this circular, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this circular.

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**139 HOLDINGS LIMITED**

**( 139 控 股 有 限 公 司 ) \***

*(Incorporated in Bermuda with limited liability)*

(Stock Code: 139)

**PLACING OF NEW SHARES**

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A notice convening a special general meeting of the Company to be held at Business Centre, The Empire Hotel Hong Kong, 33 Hennessy Road, Wanchai, Hong Kong on Friday, 4 March 2005 at 9:30 a.m. is set out on pages 38 to 39 of this circular. A form of proxy for use at the special general meeting is also enclosed with this circular.

Whether or not you intend to attend the meeting, you are requested to complete the form of proxy in accordance with the instructions printed thereon and return the same to the Company's share registrar in Hong Kong, Tengis Limited at Ground Floor, Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong as soon as possible but in any event not less than 48 hours before the time appointed for the holding of the meeting or any adjourned meeting thereof. Completion and delivery of the form of proxy will not preclude you from attending and voting at the meeting if you so wish.

16 February 2005

\* For identification purposes only

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## DEFINITIONS

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*In this circular, the following expressions have the following meanings unless the context requires otherwise:*

<b>“associates”</b>	has the meaning ascribed to this term under the Listing Rules
<b>“Best Effort Placing”</b>	the placing of 2,000,000,000 new Shares under the Best Effort Placing Agreement on a best effort basis
<b>“Best Effort Placing Agreement”</b>	the placing agreement between the Company and the Placing Agent dated 27 January 2005 in relation to the Best Effort Placing
<b>“Best Effort Placing Shares”</b>	a maximum of 2,000,000,000 new Shares to be placed on a best effort basis pursuant to the Best Effort Placing Agreement
<b>“Board”</b>	the board of Directors
<b>“Business Day”</b>	any day (not being a Saturday) on which licensed banks in Hong Kong are generally open for business throughout their normal business hours
<b>“Company”</b>	139 Holdings Limited (Stock code: 139), a company incorporated in Bermuda with limited liability, the issued Shares of which are listed on the Main Board of the Stock Exchange
<b>“Completion”</b>	completion of the Placing in accordance with the terms and conditions of the Placing Agreements
<b>“connected person(s)”</b>	has the same meaning ascribed thereto under the Listing Rules
<b>“Convertible Notes”</b>	convertible notes in the aggregate principal amount of HK\$250 million to be issued by the Company to the Vendors as part consideration for the Proposed Acquisition, details of which are set out in the First Announcement and the Second Announcement
<b>“Director(s)”</b>	the director(s) of the Company
<b>“Division”</b>	the Listing Division of the Stock Exchange
<b>“First Announcement”</b>	the announcement of the Company dated 27 January 2005 relating to, among others, the preliminary agreement in respect of the Proposed Acquisition and the Placing, a copy of which has been reproduced in appendix I to this circular

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## DEFINITIONS

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<b>“Fully Underwritten Placing”</b>	the placing of 2,000,000,000 new Shares under the Fully Underwritten Placing Agreement on a fully underwritten basis
<b>“Fully Underwritten Placing Agreement”</b>	the placing agreement between the Company and the Placing Agent dated 27 January 2005 in relation to the placing of 2,000,000,000 new Shares on a fully underwritten basis
<b>“Fully Underwritten Placing Shares”</b>	2,000,000,000 new Shares to be placed on a fully underwritten basis pursuant to the Fully Underwritten Placing Agreement
<b>“Group”</b>	the Company and its subsidiaries
<b>“Hong Kong”</b>	the Hong Kong Special Administrative Region of the People’s Republic of China
<b>“Latest Practicable Date”</b>	14 February 2005, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained in this circular
<b>“Listing Committee”</b>	the listing sub-committee of the directors of the Stock Exchange elected or appointed in accordance with the Articles of Association of the Stock Exchange
<b>“Listing Rules”</b>	the Rules Governing the Listing of Securities on the Stock Exchange
<b>“Macau”</b>	the Macau Special Administrative Region of the People’s Republic of China
<b>“Placing”</b>	together, the placing of 2,000,000,000 new Shares under the Fully Underwritten Placing Agreement and the placing of 2,000,000,000 new Shares under the Best Effort Placing Agreement
<b>“Placing Agent”</b>	Tai Fook Securities Company Limited, a licensed corporation to carry on regulated activities 1, 3 and 4 for the purpose of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
<b>“Placing Agreements”</b>	the Fully Underwritten Placing Agreement and the Best Effort Placing Agreement
<b>“Placing Price”</b>	HK\$0.032 per Share
<b>“Placing Shares”</b>	a maximum of 4,000,000,000 new Shares to be placed pursuant to the Placing Agreements

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## DEFINITIONS

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<b>“Properties”</b>	the Hotel Grandeur Macau and certain car park spaces in Macau to be acquired by Walterford from the Vendors under the Proposed Acquisition
<b>“Proposed Acquisition”</b>	the proposed acquisition by Walterford from the Vendors of the entire issued share capital of SDFP and the shareholder’s loan owed to China Travel Service (Hong Kong) Limited by SDFP, details of which are set out in the First Announcement and the Second Announcement
<b>“SDFP”</b>	Sociedade De Fomento Predial Fu Wa (Macau) Limitada, a company incorporated in Macau
<b>“Second Announcement”</b>	the announcement of the Company dated 4 February 2005 relating to, among others, the sale and purchase agreement in respect of the Proposed Acquisition, a copy of which has been reproduced in appendix I to this circular
<b>“SGM”</b>	the special general meeting of the Company to be convened for the purpose of considering and, if thought fit, approving the allotment and issue of the Placing Shares
<b>“Share(s)”</b>	share(s) of HK\$0.01 each in the capital of the Company
<b>“Shareholder(s)”</b>	holder(s) of the Shares
<b>“Stock Exchange”</b>	The Stock Exchange of Hong Kong Limited
<b>“Vendors”</b>	China Travel Service (Hong Kong) Limited and Findco Enterprises Limited
<b>“Walterford”</b>	Walterford Company Limited, a company incorporated in the British Virgin Islands with limited liability and a wholly owned subsidiary of the Company
<b>“HK\$”</b>	Hong Kong dollars, the lawful currency of Hong Kong
<b>“%”</b>	per cent.

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## LETTER FROM THE BOARD

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### **139 HOLDINGS LIMITED** **( 139 控 股 有 限 公 司 ) \***

*(Incorporated in Bermuda with limited liability)*  
(Stock Code: 139)

*Executive Directors:*

Wong Howard (*Chief executive officer*)  
Wong Yat Fai  
Wu Qing  
Lo Ki Yan, Karen

*Registered office:*

Clarendon House  
2 Church Street  
Hamilton HM 11  
Bermuda

*Independent non-executive Directors:*

Li Chi Ming  
Tung Tat Chiu, Michael  
Wan Ngar Yin, David

*Head office and principal place  
of business in Hong Kong:*

Room 1603-5  
Harcourt House  
39 Gloucester Road  
Wanchai  
Hong Kong

16 February 2005

*To the Shareholders*

Dear Sir or Madam,

### **PLACING OF NEW SHARES**

#### **INTRODUCTION**

Reference is made to the First Announcement dated 27 January 2005 and the Second Announcement dated 4 February 2005. On 27 January 2005, the Company entered into the Placing Agreements with the Placing Agent, pursuant to which the Placing Agent has conditionally agreed to place and the Company has conditionally agreed to allot and issue a maximum of 4,000,000,000 new Shares all at HK\$0.032 per Share. 2,000,000,000 Shares will be placed on a fully underwritten basis whilst the remaining 2,000,000,000 Shares will be placed on a best effort basis.

#### **THE PLACING**

Unless otherwise stated, both the Fully Underwritten Placing Agreement and Best Effort Placing Agreement have the same terms as set out below:

- Date: 27 January 2005
- Parties involved: (i) the Placing Agent; and  
(ii) the Company.

\* For identification purposes only

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## LETTER FROM THE BOARD

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### Information on the Placing Agent

Tai Fook Securities Company Limited is the Placing Agent and will receive a placing commission of 2.5% and 1.5% on the gross proceeds from the Fully Underwritten Placing and the Best Effort Placing respectively. The placing commission and the other terms and conditions of the Placing Agreements were arrived at after arm's length negotiations between the Company and the Placing Agent. The Placing Agent is independent of and not connected with the Company and its connected persons.

### Number of Placing Shares

Pursuant to the Placing Agreements, the Placing Agent has conditionally agreed to place and the Company has conditionally agreed to allot and issue a maximum of 4,000,000,000 new Shares: (i) 2,000,000,000 new Shares on a fully underwritten basis under the Fully Underwritten Placing Agreement; and (ii) 2,000,000,000 new Shares on a best effort basis under the Best Effort Placing Agreement.

The 4,000,000,000 Placing Shares represent: (i) approximately 42.86% of the existing issued share capital of the Company of 9,332,430,478 Shares; (ii) approximately 30.00% of the issued share capital of the Company of 13,332,430,478 Shares as enlarged by the 4,000,000,000 Placing Shares; and (iii) approximately 25.26% of the issued share capital of the Company as enlarged by the 4,000,000,000 Placing Shares and the exercise in full of the Convertible Notes.

The Placing Shares will be allotted and issued under the specific mandate to be sought at the SGM.

### Information on the placees

The Placing Shares will be placed to no fewer than six placees which will be independent individual, corporate and/or institutional investors, and who and whose ultimate beneficial owners will not be connected person(s) of the Company and will be third parties independent of and not connected with the Company, connected persons of the Company and any of the directors, chief executive or substantial shareholder(s) of the Company or any of its subsidiaries or their respective associates. No placees will become substantial shareholders (as defined in the Listing Rules) of the Company as a result of the Placing.

### Placing Price

The Placing Price of HK\$0.032 represents:

- (i) a discount of about 11.11% to the closing price of HK\$0.0360 per Share on 19 January 2005, being the last full trading day prior to the date of the First Announcement;
- (ii) a discount of about 12.57% to the average closing price per Share of about HK\$0.0366 for the last five trading days up to and including 19 January 2005, being the last full trading day prior to the date of the First Announcement;
- (iii) a discount of about 6.43% to the average closing price per Share of about HK\$0.0342 for the last ten trading days up to and including 19 January 2005, being the last full trading day prior to the date of the First Announcement;

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## LETTER FROM THE BOARD

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- (iv) a discount of about 44.83% to the closing price of HK\$0.058 per Share on the Latest Practicable Date; and
- (v) a premium of about 30.61% over the audited consolidated net tangible asset value per Share of about HK\$0.0245 as at 31 March 2004.

Assuming all the Placing Shares are sold in full under the Best Effort Placing, the net placing price, after deduction of relevant expenses, is approximately HK\$0.03135 per Placing Share.

The Placing Price was negotiated on an arm's length basis between the Company and the Placing Agent taking into consideration the prevailing trading performance of the Shares at the time of the Placing Agreements. The Directors consider that the terms of the Placing are fair and reasonable based on the then prevailing market conditions and in the interests of the Company and the Shareholders as a whole.

### **Rights of the Placing Shares**

The Placing Shares will rank pari passu among themselves and with Shares in issue as at the date of allotment and issue of the Placing Shares.

### **Mandate to issue the Placing Shares**

The Placing Shares will be allotted and issued under the specific mandate to be sought at the SGM.

### **Conditions of the Fully Underwritten Placing**

Completion of the Fully Underwritten Placing is conditional upon:

- (i) the granting by the Listing Committee or the Division of listing of, and permission to deal in, the Fully Underwritten Placing Shares; and
- (ii) the passing by the Shareholders at a special general meeting of an ordinary resolution to approve the Fully Underwritten Placing and the issue of the Placing Shares pursuant to the Fully Underwritten Placing Agreement, on or before the date falling 40 days from the date of the Fully Underwritten Placing Agreement (or such later date as the parties to the Fully Underwritten Placing Agreement may agree in writing).

In the event that the conditions of the Fully Underwritten Placing are not fulfilled on or before the date falling 40 days from the date of the Fully Underwritten Placing Agreement (or such later date as the parties to the Fully Underwritten Placing Agreement may agree in writing), the Fully Underwritten Placing Agreement shall cease and determine and neither the Company nor the Placing Agent shall have any obligations and liabilities under the Fully Underwritten Placing Agreement. Further announcement will be made by the Company in the event the conditions of the Fully Underwritten Placing are not fulfilled on or before 8 March 2005, the date falling 40 days from the date of the Fully Underwritten Placing Agreement.

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## LETTER FROM THE BOARD

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### **Completion of the Fully Underwritten Placing**

Completion of the Fully Underwritten Placing will take place on the date falling five Business Days after the conditions of the Fully Underwritten Placing are fulfilled (or such other date as may be agreed between the parties to the Fully Underwritten Placing Agreement).

### **Conditions of the Best Effort Placing**

Completion of the Best Effort Placing is conditional upon:

- (i) the passing by the Shareholders at a special general meeting of an ordinary resolution to approve the Best Effort Placing and the issue of the Placing Shares pursuant to the Best Effort Placing Agreement on or before the date falling 40 days from the date of the Best Effort Placing Agreement (or such later date as the parties to the Best Effort Placing Agreement may agree in writing); and
- (ii) the granting by the Listing Committee or the Division of listing of, and permission to deal in, all the Best Effort Placing Shares on or before the date falling 90 days from the date of the fulfillment of the condition referred to in (i) above (or such later date as the parties to the Best Effort Placing Agreement may agree in writing).

In the event that the conditions of the Best Effort Placing are not fulfilled by the time stipulated above, the Best Effort Placing Agreement will cease and determine and neither the Company nor the Placing Agent will have any obligations and liabilities under the Best Effort Placing Agreement. Further announcement will be made by the Company in the event the conditions of the Best Effort Placing are not fulfilled by the time stipulated above that is 8 March 2005 and 6 June 2005 for condition (i) and condition (ii) respectively.

### **Completion of the Best Effort Placing**

Completion of the Best Effort Placing will take place on the date falling five Business Days after the conditions of the Best Effort Placing are fulfilled (or such other date as may be agreed between the parties to the Best Effort Placing Agreement).

### **TERMINATION**

The Placing Agent may, in its reasonable opinion, after consultation with the Company, terminate the Placing Agreements by notice in writing to the Company at any time up to 8:00 a.m. on the date of Completion if:

- (1) there is any change in national, international, financial, exchange control, political, economic conditions in Hong Kong which in the reasonable opinion of the Placing Agent would be materially adverse in the consummation of the Placing; or
- (2) there is any breach of the warranties, representations and undertakings given by the Company in the Placing Agreements and such breach is considered by the Placing Agent on reasonable grounds to be material in the context of the Placing; or

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## LETTER FROM THE BOARD

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- (3) there is any material change (whether or not forming part of a series of changes) in market conditions which in the reasonable opinion of the Placing Agent would materially and prejudicially affect the Placing or makes it inadvisable or inexpedient for the Placing to proceed; or
- (4) any statement contained in the previous announcements issued by the Company has become or been discovered to be untrue, incorrect or misleading in any material respect which in the opinion of the Placing Agent would be materially adverse in the consummation of the Placing.

In the event the Placing Agent exercises its discretion to terminate the Placing Agreements on any of the above grounds, all liabilities of the parties to the Placing Agreements shall cease and determine and no party to the Placing Agreements shall have any claim against the other party in respect of any matter or thing arising out of or in connection with the Placing Agreements. Further announcement will be made by the Company in the event the Placing Agent exercises its discretion to terminate the Placing Agreements on any of the above grounds.

### **APPLICATION FOR LISTING**

Application will be made by the Company to the Listing Committee for the listing of, and permission to deal in, the Placing Shares.

### **REASONS FOR THE PLACING AGREEMENTS**

By entering into the Placing Agreements, the Group can raise capital to further strengthen its financial position and make new investments. Assuming all the Placing Shares are sold in full under the Best Effort Placing, the gross proceeds of the Placing is HK\$128 million and the net proceeds of the Placing will be estimated to be approximately HK\$125.4 million and will be used as to approximately HK\$62.7 million for the Proposed Acquisition (details of the Proposed Acquisition can be found in the First Announcement and the Second Announcement, a copy of which has been reproduced in appendix I to this circular) and as to the balance of approximately HK\$62.7 million for general working capital purposes of the Group. In the event that only part of the Best Effort Placing Shares have been placed by the Placing Agent, the amount of the net proceeds of the Placing to be used for general working capital purposes will be reduced accordingly.

In the event that the Placing proceeds but the Proposed Acquisition does not proceed, the Directors will seek other investment opportunities to invest the proceeds of the Placing. As at the Latest Practicable Date, the Company has not identified any specific investment opportunities. The Company will make further announcement once the Company has identified any other investment opportunities or any alternative plans for the use of proceeds of the Placing.

The Company has not conducted any fund raising activities during the 12-month period immediately preceding the Latest Practicable Date and the date of the Placing Agreements.

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## LETTER FROM THE BOARD

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### **PRINCIPAL TERMS OF THE CONVERTIBLE NOTES**

The principal terms of the Convertible Notes are the same as disclosed in the First Announcement and the Second Announcement. The Directors would like to emphasise that the Convertible Notes will be secured by the Company mortgaging the Properties in favour of the Vendors.

#### **Aggregate principal amount**

The aggregate principal amount of the Convertible Notes is HK\$250 million.

#### **Term**

The Company will repay the principal amount outstanding under the Convertible Notes to the holder of the Convertible Notes together with all interest accrued up to and including the date falling on the second anniversary of the date of issue of the Convertible Notes.

#### **Conversion price**

The conversion price of each Share issued upon conversion is HK\$0.10.

#### **Interest**

The interest is 3.5% per annum on the principal amount of the Convertible Notes outstanding at the time, which will be payable by the Company semi-annually in arrears and the first interest payment shall be made on the date falling six months from the date of the Convertible Notes. Interest on the principal amount of the Convertible Notes shall be calculated on a 365-day year basis.

#### **Exercise period**

The Convertible Notes are exercisable in whole or in part of the principal amount of the Convertible Notes into Shares at any time before the second anniversary of the date of issue of the Convertible Notes by delivering to the Company at least five Business Days' prior written notice.

#### **Adjustments**

The conversion price of the Convertible Notes is subject to usual adjustment provisions for convertible securities of similar type. The adjustment events will arise as a result of certain change in the share capital of the Company including consolidation or sub-division or capitalisation of profits or reserves, capital distributions in cash or specie or an issue of Shares wholly for cash being made by the Company or any of its subsidiaries of securities convertible into or exchangeable for or carrying rights of subscription for new Shares, and an issue of Shares wholly for cash or an issue of Shares for the acquisition of assets.

## LETTER FROM THE BOARD

### EFFECTS ON SHAREHOLDING STRUCTURE

Set out below are the potential changes to the shareholding structure of the Company as a result of the Placing and the exercise in full of the Convertible Notes:

Name of Shareholders	As at the Latest Practicable Date (iv)		Assuming Completion but before exercise of the Convertible Notes (iv)		Assuming exercise of Convertible Notes in full (iv)	
	Shares	%	Shares	%	Shares	%
Mr Wong Howard (ii)	212,990,000	2.28	212,990,000	1.60	212,990,000	1.35
Mr Wong Yat Fat (ii)	212,990,000	2.28	212,990,000	1.60	212,990,000	1.35
Mr Wu Qing (ii)	212,990,000	2.28	212,990,000	1.60	212,990,000	1.35
Holder(s) of Convertible Notes (iii)	–	–	–	–	2,500,000,000	15.79
Public						
Other Shareholders	8,693,460,478	93.16	8,693,460,478	65.20	8,693,460,478	54.90
Placees	–	–	4,000,000,000	30.00	4,000,000,000	25.26
Total	<u>9,332,430,478</u>	<u>100.00</u>	<u>13,332,430,478</u>	<u>100.00</u>	<u>15,832,430,478</u>	<u>100.00</u>

Notes:

- (i) The above table is prepared on the assumption that the 2,000,000,000 Shares under the Best Effort Placing Agreement are sold in full. The above structure is subject to the actual number of Placing Shares sold under the Best Effort Placing Agreement.
- (ii) Mr Wong Howard, Mr Wong Yat Fat and Mr Wu Qing are all executive Directors.
- (iii) The Convertible Notes in the aggregate principal amount of HK\$250 million to be issued by the Company to the Vendors as consideration for the Proposed Acquisition. As informed by the Vendors, China Travel International Investment Hong Kong Limited (stock code: 308) (“CTII”) holds an indirect equity interests of 100% in the Vendors, which in turn, together hold 100% equity interests in SDFP. Based on the convertible bonds offering document of CTII dated 25 September 2003, CTII is a subsidiary of China Travel Service (Holdings) Hong Kong Limited which is ultimately owned by the State Council and is under the administration of the Central Government of the PRC. The Company confirms that, to the best of the Directors’ knowledge, information and belief and having made all reasonable enquiries, CTII, the Vendors and CTII’s ultimate beneficial owner and their respective Associates are third parties independent of the Company and its connected persons and are not connected persons of the Company.
- (iv) Percentage may be added or reduced for rounding purposes.

### LISTING RULE IMPLICATIONS OF THE PROPOSED ACQUISITION

The Proposed Acquisition constitutes a very substantial acquisition and is subject to, amongst others, Shareholders’ approval. A circular containing, among other things, further details on the Proposed Acquisition together with a notice convening the special general meeting will be despatched to the Shareholders as soon as practicable in accordance with the Listing Rules.

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## LETTER FROM THE BOARD

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### SGM

The Placing Shares will be allotted and issued under the specific mandate. The Shareholders' approval on the Placing and the issue of the Placing Shares will be sought at the SGM.

The notice of the SGM is set out on pages 38 to 39 of this circular. A form of proxy for use at the SGM is enclosed.

No Shareholder or their associate has any interest in the Placing which is different from other Shareholders in relation to the Placing. No Shareholder, Director and the chief executive of the Company and their respective associate has to abstain from voting at the SGM.

Whether or not you intend to attend the SGM, please complete and return the enclosed form of proxy in accordance with the instructions printed thereon to the Company's share registrar in Hong Kong, Tengis Limited at Ground Floor, Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for the holding of the SGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the SGM should you so wish.

### RECOMMENDATION

The Board is of the opinion that the Placing is in the interests of the Company and the Shareholders and accordingly recommends the Shareholders to vote in favour of the resolution to be proposed at the SGM to approve the Placing and the issue of the Placing Shares pursuant to the Placing Agreements and the transaction contemplated thereby.

### FURTHER INFORMATION

Your attention is drawn to information set out in the appendices to this circular.

Yours faithfully  
For and on behalf of the Board  
**139 Holdings Limited**  
**Wong Howard**  
*Director*

Hong Kong, 16 February 2005

**1. THE FIRST ANNOUNCEMENT DATED 27 JANUARY 2005**

The following information is a reproduction of the First Announcement.

*The Stock Exchange of Hong Kong Limited takes no responsibility for the contents of this announcement, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.*

**139 HOLDINGS LIMITED**  
**( 139 控 股 有 限 公 司 ) \***

*(Incorporated in Bermuda with limited liability)*

(Stock Code: 139)

- (1) VERY SUBSTANTIAL ACQUISITION – PRELIMINARY AGREEMENT  
IN RESPECT OF THE PROPOSED ACQUISITION OF  
AN EQUITY INTEREST IN A MACAU HOTEL COMPANY;**
- (2) PLACING OF NEW SHARES;**
- AND**
- (3) RESUMPTION OF TRADING IN SHARES ON THE STOCK EXCHANGE**

**THE PROPOSED ACQUISITION**

The Board is pleased to announce that on 19 January, 2005, Walterford entered into the Preliminary Agreement with the Vendor for the proposed purchase of the entire issued share capital of SDFP and the Shareholder's Loan at a total consideration of HK\$500 million.

SDFP is the owner and operator of Hotel Grandeur Macau. Based on the representation of the Vendor, the principal asset of SDFP is its 100% interest in Hotel Grandeur Macau, a four-star hotel in Macau. Upon the Completion of the Proposed Acquisition, the Vendor and SDFP will also enter into a management agreement with regard to the provision of hotel management services by the Vendor (or its assignee) to SDFP.

The Consideration will be satisfied by (i) HK\$250 million in cash, HK\$25 million of which will be placed in an escrow account and will be released to the Vendor within 14 days after Walterford is satisfied with the relevant due diligence results and the remaining HK\$225 million will be paid upon Completion of the Proposed Acquisition; and (ii) Convertible Notes with aggregate principal amount of HK\$250 million.

The Preliminary Agreement is legally binding on Walterford and the Vendor. Completion of the Proposed Acquisition is subject to certain conditions. Walterford and the Vendor will enter into a formal SP Agreement in respect of the Proposed Acquisition. The SP Agreement is expected to be entered into no later than 2 February, 2005 or such later date as the Vendor and Walterford may agree. A further announcement containing details of the SP Agreement will be issued once it is signed.

**THE PLACING**

On 27 January, 2005, the Company entered into the Placing Agreements with the Placing Agent to place a maximum of 4,000,000,000 Shares all at HK\$0.032 per Share. 2,000,000,000 Shares will be placed on a fully underwritten basis whilst the remaining 2,000,000,000 Shares will be placed on a best effort basis. Net proceeds from the Placing of approximately HK\$125.4 million will be used as to approximately HK\$62.7 million for the Proposed Acquisition and as to the balance of approximately HK\$62.7 million for general working capital purposes of the Group.

**GENERAL**

The Proposed Acquisition and the SP Agreement constitute a very substantial acquisition for the Company under the Listing Rules and will be subject to, *inter alia*, approval of the Shareholders at the Second SGM. A circular containing, among other things, further details on the Proposed Acquisition, the Preliminary Agreement and the SP Agreement and a notice convening the Second SGM will be despatched to the Shareholders as soon as practicable in accordance with the Listing Rules.

A separate circular containing, among other things, further details on the Placing together with a notice convening the First SGM will be despatched to the Shareholders as soon as practicable in accordance with the Listing Rules.

**INVESTORS AND SHAREHOLDERS OF THE COMPANY ARE URGED TO EXERCISE EXTREME CAUTION WHEN DEALINGS IN THE SECURITIES OF THE COMPANY.**

Trading in the Shares has been suspended at the request of the Company with effect from 9:31 a.m. on 20 January, 2005 pending the release of this announcement. Application has been made to the Stock Exchange for the resumption of trading in the Shares with effect from 9:30 a.m. on 28 January, 2005.

**THE PROPOSED ACQUISITION****The Preliminary Agreement**

**Date** 19 January, 2005

**Parties** Purchaser: Walterford, a wholly owned subsidiary of the Company incorporated in the British Virgin Islands with limited liability

Vendor: China Travel Service (Hong Kong) Limited, the sole beneficial owner of SDFP

China Travel International Investment Hong Kong Limited (stock code: 308) (“CTI”) is the holding company of the Vendor, which in turn holds 100% interest in SDFP. Based on the convertible bonds offering document of CTI dated 25 September, 2003, CTI is a subsidiary of China Travel Service (Holdings) Hong Kong Limited which is ultimately owned by the State Council and is under the administration of the Central Government of the PRC.

The Vendor and its subsidiaries are principally engaged in the travel and hotel operations.

The Company confirms that, to the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the Vendor and its ultimate beneficial owner and their respective Associates are third parties independent of the Company and its connected persons and are not connected persons of the Company.

**Assets to be acquired**

- (i) the entire issued share capital of SDFP; and
- (ii) the shareholder's loan owed to the Vendor by SDFP which amounted to approximately HK\$447.6 million as shown in the unaudited management accounts of SDFP as at 31 December, 2004 plus all interest accrued thereon (the "Shareholder's Loan").

SDFP is the owner and operator of Hotel Grandeur Macau. Based on the representation of the Vendor, the principal asset of SDFP is its 100% interest in Hotel Grandeur Macau, a four-star hotel in Macau. Upon Completion of the Proposed Acquisition, SDFP will be owned as to 100% by the Group.

**Consideration**

The Preliminary Agreement is legally binding. The Consideration will amount to HK\$500 million and will be settled as follows:

- (i) HK\$250 million in cash, of which HK\$25 million will be placed in an escrow account upon signing of the formal SP Agreement and will be released to the Vendor within 14 days after Walterford is satisfied with the relevant due diligence results and the remaining HK\$225 million will be paid upon Completion of the Proposed Acquisition; and
- (ii) Convertible Notes with aggregate principal amount of HK\$250 million.

The cash portion of the Consideration will be financed as to approximately HK\$62.7 million by the proceeds of the Placing and as to the balance of approximately HK\$187.3 million by internal resources of the Group. The financing of the cash portion of the Consideration will be finalised pending outcome of the proposed placing of new Shares. In the event that the Proposed Acquisition proceeds but Placing does not proceed, the cash portion of the Consideration will be financed by internal resources of the Group.

The form of Consideration is agreed between Walterford and the Vendor after arm's length negotiation. The Directors (including the independent non-executive Directors), subject to the final terms under the SP Agreement, consider the proposed payment terms of the Consideration under the Preliminary Agreement are fair and reasonable.

The Consideration was determined with reference to the book value of the Shareholder's Loan and the net asset value of SDFP of approximately HK\$99.7 million as shown in the unaudited management accounts of SDFP as at 31 December, 2004. The Company will engage an independent valuer to conduct a formal property valuation on the property interests of SDFP and such valuation report will be set out in the circular to be despatched to the Shareholders.

The Directors expect that the terms of the SP Agreement will be substantially the same as those stated in the Preliminary Agreement. Any significant deviation in the terms of the SP Agreement will be disclosed in a further announcement of the Company.

**Principal terms of the Convertible Notes**

Aggregate principal amount:	HK\$250 million
Conversion price:	HK\$0.10 per Share
Term:	Two years from Completion of the Proposed Acquisition
Interest:	3.5% per annum
Exercise period:	Exercisable at any time after the lapse of 6 months from Completion of the Proposed Acquisition

The final terms of the Convertible Notes will be agreed by the Company, Walterford and the Vendor prior to the entering of the SP Agreement. The Directors expect that the terms of the Convertible Notes including the conversion price will be substantially the same and have no present intention to adjust the conversion price. Any significant deviation in the terms of the Convertible Notes will be disclosed in a further announcement of the Company.

The conversion price represents a premium of approximately 177.8% over the closing price of HK\$0.036 per Share as quoted on the Stock Exchange on the Last Trading Date, a premium of approximately 173.2% over the average closing price per Share of about HK\$0.0366 for the last five trading days up to and including the Last Trading Date, a premium of approximately 308.2% over the audited consolidated net asset value per Share of HK\$0.0245 as at 31 March, 2004 and represents a premium of approximately 313.2% over the unaudited consolidated NAV per Share of approximately HK\$0.0242 as at 30 September, 2004.

The basis of the conversion price is determined with reference to current market price and the expected increase in the Share price after the Completion of the Proposed Acquisition. Since the Directors expect that the hotel operation will generate a steady source of revenue to the Group and the management of the Group considers that the expected revenue growth will have a positive impact on the Group's performance.

Assuming the conversion rights attaching to the Convertible Notes is exercised in full and Shares are issued in pursuance thereof at the conversion price of HK\$0.10 per Share, a total of 2,500 million new Shares will be issued, representing approximately 26.8% of the existing issued share capital of the Company and approximately 21.1% of the issued share capital as enlarged by the issue of new Shares upon the exercise in full of the conversion rights attaching to the Convertible Notes.

No application will be made for the listing of the Convertible Notes on the Stock Exchange or any other stock exchange. Application will be made to the Stock Exchange for the listing of, and permission to deal in, the new Shares falling to be issued on any exercise of the conversion rights attaching to the Convertible Notes.

**Management Agreement**

Simultaneously upon Completion of the Proposed Acquisition, the Vendor (or its assignee) and SDFP will also enter into a Management Agreement with regard to the provisions of hotel management services by the Vendor (or its assignee) to SDFP for a fixed initial term of five years. Terms of the Management Agreement will be finalised and disclosed upon Completion of the SP Agreement. As the Group has not previously engaged in the hotel business, the Directors consider that the Group's strategic diversification into the hotel business through the Proposed Acquisition and the entering into of the Management Agreement are in the best interest of the Company and the Shareholders as a whole.

The Company currently has no intention to change the management but will consider to change the composition of the board of the directors of the Hotel Grandeur Macau subsequent to the completion of Proposed Acquisition.

**Conditions**

Completion of the Proposed Acquisition is subject to and conditional upon the fulfillment of the following conditions:

- (a) SDFP shall have at least HK\$30 million net current asset as at the date of Completion of the Proposed Acquisition and the Vendor shall be entitled to divest such other assets of SDFP at book value back to the Vendor before Completion of the Proposed Acquisition;
- (b) the passing by the Shareholders at a special general meeting to be convened of the ordinary resolution(s) approving the transaction(s) contemplated under the SP Agreement;
- (c) the Company having obtained the approval granted by the Listing Committee of the Stock Exchange for the listing of and permission to deal in the Shares following the conversion of the Convertible Notes to be issued to the Vendor as part consideration for the Proposed Acquisition;
- (d) all the representations, undertakings, confirmation and warranties given by the Vendor under the SP Agreement remaining true and accurate and are not misleading in any material respect; and
- (e) all necessary statutory, governmental and regulatory obligations in Hong Kong, Macau and other jurisdictions (if applicable) having been complied with and all necessary regulatory, governmental and third party consents and waivers in relation to the implementation of any terms of the SP Agreement having been obtained unconditionally.

Walterford and the Vendor will continue to negotiate in good faith in ensuring the formal SP Agreement in respect of the Proposed Acquisition be entered into as soon as possible and in any event, no later than 2 February, 2005 or such later date as the Vendor and Walterford may agree. If no SP Agreement has been entered into on or prior to 2 February, 2005, or such later

date as the Vendor and Walterford may agree, the Preliminary Agreement will expire. In which case the obligations of the parties under Preliminary Agreement will be discharged. Further announcement will be made by the Company upon the occurrence of the event that; (i) the SP Agreement is signed; (ii) any of the above conditions to the Proposed Acquisition are waived by the parties to the Preliminary Agreement; or (iii) the Proposed Acquisition does not proceed to Completion, including the occurrence of the event that the Preliminary Agreement has expired and no SP Agreement has been entered into.

The Preliminary Agreement will expire on 2 February, 2005 (or such later date as the Vendor and Walterford may agree), or upon the execution of the SP Agreement, whichever is earlier.

The Directors advised that the Management Agreement is not a condition for the Completion of the SP Agreement. Additional terms may be added to the final Management Agreement and will be disclosed in the Company's announcement on the SP Agreement.

As at the date of this announcement, no SP Agreement has been entered into by the Vendor and Walterford, hence no long stop date of the SP Agreement has been determined. Further details of the long stop date of the SP Agreement will be disclosed in the announcement on the SP Agreement.

#### INFORMATION ON SDFP

SDFP was incorporated on 19 September, 1988 and is the owner and operator of Hotel Grandeur Macau in Macau. Based on the representation of the Vendor, the principal asset of SDFP is its 100% holding in Hotel Grandeur Macau while the remaining assets refer to the 1% investment holding in Grand Tour & Travel Limited with an investment cost of MOP9,700.

Extracted unaudited management accounts for the two years ended 31 December, 2004 are as follows:

	<b>31 December, 2004</b>	<b>31 December, 2003</b>
	<i>(unaudited)</i>	<i>(unaudited)</i>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Turnover	65,067	49,887
Profit before tax	18,952	11,476
Profit after tax	18,952	9,918
Total asset	555,502	508,060
Loan from shareholder	447,640	444,912
Net asset	99,676	15,008
Net current assets	56,156	29,690

**INFORMATION ON HOTEL GRANDEUR MACAU**

Hotel Grandeur Macau is a four star hotel located at Rua de Pequim, No. 199, Macau, and it only takes approximately 15 minutes traveling to the Macau International Airport and 5 minutes traveling to the New Macau Maritime Ferry Terminal.

Hotel Grandeur Macau is a 26-storey hotel with two levels of basement and has a total gross floor area of approximately 267,472 square feet, with about 350 guest rooms and commenced its operation on 8 September, 1993. There are also facilities in Hotel Grandeur Macau including fitness centre, health centre, indoor heated swimming pool, hair salon, business centre, karaoke, multipurpose function room and restaurants, including a revolving restaurant. There is no casino operation in the hotel. The Directors currently has no intention to engage in the casino business.

**FINANCIAL EFFECTS OF THE PROPOSED ACQUISITION ON THE GROUP**

According to the annual and interim reports of the Company, the Group recorded an audited consolidated profit of approximately HK\$1.2 million for the fiscal year ended 31 March, 2004 and an unaudited consolidated loss of approximately HK\$2.6 million for the six months ended 30 September, 2004. Given the profitable track record of Hotel Grandeur Macau and the prospects of the tourism industry in Macau, the Directors consider that the Proposed Acquisition would be beneficial to the Group financially.

**REASONS FOR THE PROPOSED ACQUISITION AND ENTERING INTO THE MANAGEMENT AGREEMENT**

The Company is an investment holding company and the principal activities of its subsidiaries are manufacturing, trading and distribution of car audio equipment and other merchandise and the trading of securities.

In the midst of intense market competition and price pressures, the Group has experienced a steady sales decline and loss in its car audio business. In order to react to this adversity, the Group has continuously pursued a prudent strategy to explore into suitable investment opportunities so as to diversify its business and enhance profitability.

With the relaxation of restrictions on PRC mainland tourist to Hong Kong and Macau, the hotel, catering, retails sales business sectors have achieved a robust recovery and significant rebound. The increase in business travel and mainland individuals' visit to Macau have created a huge demand for hotel rooms, catering and other traveler/tourist-related services in Macau such as restaurants, bars, theme parks, sport events, casinos, racing parks, shopping malls and other tourist attractions.

The Directors believe that the economic boom in these business sectors will generate an abundance of investment opportunities in the future. In order to ride the heels of this economic boom and establish a foothold in this growing business, the Group, at this stage, has decided to make an investment in the hotel and catering business in Macau.

The Directors believe that the rapid growth in Macau's tourism industry will continue in the coming years and the Proposed Acquisition will allow the Group to diversify into a solid business with high potential growth and open up new array of steady income. Furthermore, the Directors also believe that through the ownership of a four-star hotel, it can provide the Group with a solid platform to create strategic alliances and cooperation with global market players in accessing and developing businesses in the areas of retail sales, tourist related services, and leisure/entertainment-related business activities in the future.

Since the management of the Group does not have experience in the hotel operation, the Directors believe it would be beneficial to the Group to enter into the Management Agreement in order to benefit from the expertise of the Vendor and its subsidiaries in the hotel operations. The Directors are of the view that the terms of the Proposed Acquisition are fair and reasonable and in the best interest of the Company and the Shareholders as a whole.

### **THE PLACING**

Unless otherwise stated, both the Fully Underwritten Placing Agreement and Best Effort Placing Agreement have the same terms as set out below:

- Date: 27 January, 2005
- Parties involved: (i) the Placing Agent; and  
(ii) the Company.
- Placing Agent: Tai Fook Securities Company Limited is the Placing Agent and will receive a placing commission of 2.5% and 1.5% on the gross proceeds from the Fully Underwritten Placing and the Best Effort Placing respectively. The placing commission and the other terms and conditions of the Placing Agreements were arrived at after arm's length negotiations between the Company and the Placing Agent. The Placing Agent is independent of and not connected with the Company and its connected persons.
- Placing Shares: (i) 2,000,000,000 new Shares on a fully underwritten basis under the Fully Underwritten Placing Agreement; and  
(ii) 2,000,000,000 new Shares on a best effort basis under the Best Effort Placing Agreement.
- Placees: No fewer than six Placees which will be independent individual, corporate and/or institutional investors, and who and whose ultimate beneficial owners will not be connected person(s) of the Company and will be third parties independent of and not connected with the Company, connected persons of the Company and any of the directors, chief executive or substantial shareholder(s) of the Company or any of its subsidiaries or their respective Associates. No Placees will become substantial shareholders (as defined in the Listing Rules) of the Company as a result of the Placing.

- Placing Price: The Placing Price of HK\$0.032 represents:
- (i) a discount of about 11.11% to the closing price of HK\$0.0360 per Share on the Last Trading Date;
  - (ii) a discount of about 12.57% to the average closing price per Share of about HK\$0.0366 for the last five trading days up to and including the Last Trading Date; and
  - (iii) a discount of about 6.43% to the average closing price per Share of about HK\$0.0342 for the last ten trading days up to and including the Last Trading Date.

Assuming all the Placing Shares are sold in full under the Best Effort Placing, the net Placing Price, after deduction of relevant expenses, is approximately HK\$0.03135 per Placing Share.

The Placing Price was negotiated on an arm's length basis between the Company and the Placing Agent taking into consideration the recent trading performance of the Shares. The Directors consider that the terms of the Placing are fair and reasonable based on the current market conditions and in the interests of the Company and the Shareholders as a whole.

- Ranking: The Placing Shares rank *pari passu* among themselves and with Shares in issue as at the date of allotment and issue of the Placing Shares.

- Conditions of the Fully Underwritten Placing:
- (i) the granting by the Listing Committee or the Division of listing of, and permission to deal in, all the Fully Underwritten Placing Shares; and
  - (ii) the passing by the Shareholders at a special general meeting of an ordinary resolution to approve the Fully Underwritten Placing, on or before the date falling 40 days from the date of the Fully Underwritten Placing Agreement (or such later date as the parties to the Fully Underwritten Placing Agreement may agree in writing).

In the event that the conditions of the Fully Underwritten Placing are not fulfilled on or before the date falling 40 days from the date of the Fully Underwritten Placing Agreement (or such later date as the parties to the Fully Underwritten Placing Agreement may agree in writing), the Fully Underwritten Placing Agreement shall cease and determine and neither the Company nor the Placing Agent shall have any obligations and liabilities under the Fully Underwritten Placing Agreement. Further announcement will be made by the Company in the

event the conditions of the Fully Underwritten Placing are not fulfilled on or before the date falling 40 days from the date of the Fully Underwritten Placing Agreement (or such later date as the parties to the Fully Underwritten Placing Agreement may agree in writing).

Completion of the Fully Underwritten Placing: Completion of the Fully Underwritten Placing will take place on the date falling five business days after the conditions of the Fully Underwritten Placing are fulfilled (or such other date as may be agreed between the parties to the Fully Underwritten Placing Agreement).

Conditions of the Best Effort Placing:

- (i) the passing by the Shareholders at a special general meeting of an ordinary resolution to approve the Best Effort Placing on or before the date falling 40 days from the date of the Best Effort Placing Agreement (or such later date as the parties to the Best Effort Placing Agreement may agree in writing); and
- (ii) the granting by the Listing Committee or the Division of listing of, and permission to deal in, all the Best Effort Placing Shares on or before the date falling 90 days from the date of the fulfillment of the condition referred to in (i) above (or such later date as the parties to the Best Effort Placing Agreement may agree in writing).

In the event that the conditions of the Best Effort Placing are not fulfilled by the time stipulated above, the Best Effort Placing Agreement will cease and determine and neither the Company nor the Placing Agent will have any obligations and liabilities under the Best Effort Placing Agreement. Further announcement will be made by the Company in the event the conditions of the Best Effort Placing are not fulfilled by the time stipulated above (or such later date as the parties to the Best Effort Placing Agreement may agree in writing).

Completion of the Best Effort Placing: Completion of the Best Effort Placing will take place on the date falling five business days after the conditions of Best Effort Placing are fulfilled (or such other date as may be agreed between the parties to the Best Effort Placing Agreement).

The 4,000,000,000 Placing Shares represent: (i) approximately 42.86% of the existing share capital of the Company of 9,332,430,478 Shares; (ii) approximately 30.00% of the issued share capital of the Company of 13,332,430,478 Shares as enlarged by the Placing; and (iii) approximately 25.26% of the issued share capital of the Company as enlarged by the Placing and the exercise in full of the Convertible Notes.

The Placing Shares will be allotted and issued under the specific mandate to be granted to the Board to issue the Placing Shares in the First SGM.

**TERMINATION**

The Placing Agent may, in its reasonable opinion, after consultation with the Company, terminate the Placing Agreements by notice in writing to the Company at any time up to 8:00 a.m. on the date of Completion of the Placing if:

- (1) there is any change in national, international, financial, exchange control, political, economic conditions in Hong Kong which in the reasonable opinion of the Placing Agent would be materially adverse in the consummation of the Placing; or
- (2) there is any breach of the warranties, representations and undertakings given by the Company in the Placing Agreements and such breach is considered by the Placing Agent on reasonable grounds to be material in the context of the Placing; or
- (3) there is any material change (whether or not forming part of a series of changes) in market conditions which in the reasonable opinion of the Placing Agent would materially and prejudicially affect the Placing or makes it inadvisable or inexpedient for the Placing to proceed; or
- (4) any statement contained in the previous announcements issued by the Company has become or been discovered to be untrue, incorrect or misleading in any material respect which in the opinion of the Placing Agent would be materially adverse in the consummation of the Placing.

In the event the Placing Agent exercises its discretion to terminate the Placing Agreements on any of the above grounds, all liabilities of the parties to the Placing Agreements shall cease and determine and no party to the Placing Agreements shall have any claim against the other party in respect of any matter or thing arising out of or in connection with the Placing Agreements. Further announcement will be made by the Company in the event the Placing Agent exercises its discretion to terminate the Placing Agreements on any of the above grounds.

**APPLICATION FOR LISTING**

Application will be made by the Company to the Listing Committee for the listing of, and permission to deal in, the Placing Shares.

**REASONS FOR THE PLACING AGREEMENTS**

By entering into the Placing Agreements, the Group can raise capital to further strengthen its financial position. Assuming all the Placing Shares are sold in full under the Best Effort Placing, the gross proceeds of the Placing is HK\$128 million and the net proceeds of the Placing is estimated to be approximately HK\$125.4 million and will be used as to approximately HK\$62.7 million for the Proposed Acquisition and as to the balance of approximately HK\$62.7 million for general working capital purposes of the Group.

In the event that the Placing proceeds but the Proposed Acquisition does not proceed, the Directors will seek other investment opportunities to invest the proceeds of the Placing.

The Company has not conducted any fund raising activities during the 12-month period immediately preceding the date of this announcement and the Placing Agreements.

### EFFECTS ON SHAREHOLDING STRUCTURE

Set out below are the potential changes to the shareholding structure of the Company as a result of the Placing and the exercise in full of the Convertible Notes:

Name of Shareholders	Existing		Assuming Completion of the Placing but before exercise of the Convertible Notes		Assuming exercise of Convertible Notes in full	
	Shares	%	Shares	%	Shares	%
Mr Wong Howard <sup>(ii)</sup>	212,990,000	2.28	212,990,000	1.60	212,990,000	1.35
Mr Wong Yat Fat <sup>(ii)</sup>	212,990,000	2.28	212,990,000	1.60	212,990,000	1.35
Mr Wu Qing <sup>(ii)</sup>	212,990,000	2.28	212,990,000	1.60	212,990,000	1.35
Holder(s) of Convertible Notes <sup>(iii)</sup> Public	–	–	–	–	2,500,000,000	15.79
Other Shareholders	8,693,460,478	93.16	8,693,460,478	65.20	8,693,460,478	54.90
Placees	–	–	4,000,000,000	30.00	4,000,000,000	25.26
Total	<u>9,332,430,478</u>	<u>100.00</u>	<u>13,332,430,478</u>	<u>100.00</u>	<u>15,832,430,478</u>	<u>100.00</u>

Notes:

- (i) The above table is prepared based on the assumption that the 2,000,000,000 Shares under the Best Effort Placing Agreement are sold in full. The above structure is subject to the actual number of Placing Shares sold under the Best Effort Placing Agreement.
- (ii) Mr Wong Howard, Mr Wong Yat Fat and Mr Wu Qing are all executive Directors.
- (iii) Percentage may be added or reduced for rounding purposes.

### LISTING RULES IMPLICATIONS

The Proposed Acquisition and the SP Agreement will constitute a very substantial acquisition for the Company under the Listing Rules and will be subject to, inter alia, approval of the Shareholders at the Second SGM. A circular containing, among other things, further details on the Proposed Acquisition, the Preliminary Agreement and the SP Agreement together with a notice convening the Second SGM will be despatched to the Shareholders as soon as practicable in accordance with the Listing Rules.

A separate circular containing, among other things, further details on the Placing together with a notice convening the First SGM will be despatched to the Shareholders as soon as practicable in accordance with the Listing Rules.

**GENERAL**

The Board wishes to emphasise that the Proposed Acquisition is subject to the Vendor and Walterford entering into the SP Agreement and the fulfillment of the relevant conditions. There is no assurance that the terms in the Preliminary Agreement will be the same as the SP Agreement. A further announcement containing details of the SP Agreement will be issued once it is signed.

**AS THE FINAL TERMS FOR THE PROPOSED ACQUISITION WILL BE SUBJECT TO THE SP AGREEMENT, INVESTORS AND SHAREHOLDERS OF THE COMPANY ARE URGED TO EXERCISE EXTREME CAUTION WHEN DEALINGS IN THE SECURITIES OF THE COMPANY.**

**SUSPENSION AND RESUMPTION OF TRADING**

Trading in the Shares has been suspended at the request of the Company with effect from 9:31 a.m. on 20 January, 2005 pending the release of this announcement. Application has been made on the Stock Exchange for a resumption of trading in the Shares with effect from 9:30 a.m. on 28 January, 2005.

**DEFINITIONS**

In this announcement, unless the context otherwise requires, the following terms shall have the following meanings:

- “Associates” : has the same meaning ascribed thereto under the Listing Rules
- “Best Effort Placing” : the placing of 2,000,000,000 new Shares under the Best Effort Placing Agreement on a best effort basis
- “Best Effort Placing Agreement” : the placing agreement between the Company and the Placing Agent dated 27 January, 2005 in relation to the Best Effort Placing
- “Best Effort Placing Shares” : a maximum of 2,000,000,000 new Shares to be placed on a best effort basis pursuant to the Best Effort Placing Agreement
- “Board” : the board of Directors
- “Company” : 139 Holdings Limited (Stock code: 139), a company incorporated in Bermuda with limited liability, the issued Shares of which are listed on the Main Board of the Stock Exchange
- “Completion of the Placing” : completion of the Placing in accordance with the terms and conditions of the Placing Agreements

“Completion of the Proposed Acquisition”	:	completion of the Proposed Acquisition in accordance with the terms and conditions of the SP Agreement
“connected person(s)”	:	has the same meaning ascribed thereto under the Listing Rules
“Consideration”	:	HK\$500 million, being the aggregate consideration payable by Walterford to the Vendor pursuant to the Preliminary Agreement
“Convertible Notes”	:	convertible notes in the aggregate principal amount of HK\$250 million to be issued by the Company, details of which are set out in the paragraph headed “Principal terms of the Convertible Notes” above
“Director(s)”	:	the director(s) of the Company
“Division”	:	the Listing Division of the Stock Exchange
“First SGM”	:	the special general meeting of the Shareholders to be convened and held to consider and, if thought fit, to approve the allotment and issue of the Placing Shares
“Fully Underwritten Placing”	:	the placing of 2,000,000,000 new Shares under the Fully Underwritten Placing Agreement on a fully underwritten basis
“Fully Underwritten Placing Agreement”	:	the placing agreement between the Company and the Placing Agent dated 27 January, 2005 in relation to the placing of 2,000,000,000 new Shares on a fully underwritten basis
“Fully Underwritten Placing Shares”	:	2,000,000,000 new Shares to be placed on a fully underwritten basis pursuant to the Fully Underwritten Placing Agreement
“Group”	:	the Company and its subsidiaries
“Hong Kong”	:	the Hong Kong Special Administrative Region of the People’s Republic of China
“Last Trading Date”	:	19 January, 2005, being the last full trading day of the Shares before this announcement
“Listing Committee”	:	the listing sub-committee of the directors of the Stock Exchange elected or appointed in accordance with the Articles of Association of the Stock Exchange

“Listing Rules”	: Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Macau”	: the Macau Special Administrative Region of the People’s Republic of China
“Management Agreement”	: the hotel management agreement to be entered into between SDFP and the Vendor (or its assignee)
“Placing”	: together, the placing of 2,000,000,000 new Shares under the Fully Underwritten Placing Agreement and the placing of 2,000,000,000 new Shares under the Best Effort Placing Agreement
“Placing Agent”	: Tai Fook Securities Company Limited, a licensed corporation to carry on regulated activities 1, 3 and 4 for the purpose of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Placing Agreements”	: the Fully Underwritten Placing Agreement and the Best Effort Placing Agreement
“Placing Price”	: HK\$0.032 per Share
“Placing Shares”	: a maximum of 4,000,000,000 new Shares to be placed pursuant to the Placing Agreements
“Preliminary Agreement”	: the legally binding preliminary sale and purchase agreement dated 19 January, 2005 and entered into between Walterford and the Vendor setting out the preliminary terms between the parties thereto in connection with the Proposed Acquisition
“Proposed Acquisition”	: the proposed acquisition by Walterford from the Vendor of the entire issued share capital of SDFP and the Shareholder’s Loan
“SDFP”	: Sociedade De Fomento Predial Fu Wa (Macau) Limitada, a company incorporated in Macau
“Second SGM”	: the special general meeting of the Shareholders to be convened and held to consider and, if thought fit, to approve the SP Agreement
“Shares”	: share(s) of the Company of HK\$0.01 each
“Shareholder(s)”	: the holder(s) of the Share(s)

- “SP Agreement” : a formal sale and purchase agreement which will be entered into between Walterford and the Vendor in relation to the Proposed Acquisition
- “Stock Exchange” : The Stock Exchange of Hong Kong Limited
- “Vendor” : China Travel Service (Hong Kong) Limited, a company incorporated in Hong Kong and the sole beneficial owner of SDFP
- “Walterford” : Walterford Company Limited, a company incorporated in the British Virgin Islands with limited liability and a wholly owned subsidiary of the Company
- “HK\$” : Hong Kong dollars, the lawful currency of Hong Kong
- “%” : per cent.

By order of the Board  
**139 Holdings Limited**  
**Wong Howard**  
*Executive Director*

27 January, 2005, Hong Kong

*As at the date hereof, the executive Directors are Mr Wong Howard, Mr Wong Yat Fai, Mr Wu Qing and Ms Lo Ki Yan, Karen and the independent non-executive Directors are Mr Li Chi Ming, Mr Tung Tat Chiu, Michael and Mr Wan Ngar Yin, David.*

\* *For identification purposes only*

**2. THE SECOND ANNOUNCEMENT OF THE COMPANY DATED 4 FEBRUARY 2005**

The following information is a reproduction of the Second Announcement.

*The Stock Exchange of Hong Kong Limited takes no responsibility for the contents of this announcement, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.*

**139 HOLDINGS LIMITED**  
**( 139 控 股 有 限 公 司 ) \***

*(Incorporated in Bermuda with limited liability)*

(Stock Code: 139)

**VERY SUBSTANTIAL ACQUISITION – ENTERING INTO OF THE SP  
AGREEMENT  
IN RESPECT OF THE PROPOSED ACQUISITION OF  
AN EQUITY INTEREST IN A MACAU HOTEL COMPANY**

The Board is pleased to announce that the Company has entered into the SP Agreement on 2 February, 2005 in relation to the Proposed Acquisition as disclosed in the Announcement.

The Consideration will be satisfied by (i) HK\$250 million in cash; and (ii) Convertible Notes in the aggregate principal amount of HK\$250 million. A summary of the differences in the principal terms between the Preliminary Agreement and the SP Agreement is set out in the section headed “Proposed Acquisition” below.

The Proposed Acquisition under the SP Agreement constitutes a very substantial acquisition for the Company under the Listing Rules and will be subject to, inter alia, approval of the Shareholders at the SGM. A circular containing, among other things, further details on the Proposed Acquisition and the SP Agreement together with a notice convening the SGM will be despatched to the Shareholders as soon as practicable in accordance with the Listing Rules.

Reference is made to the Announcement. The Board is pleased to announce that the Company has entered into the SP Agreement on 2 February, 2005.

**PROPOSED ACQUISITION****SP Agreement**

- Date:** 2 February, 2005
- Purchaser:** Walterford, a wholly owned subsidiary of the Company incorporated in the British Virgin Islands with limited liability
- Vendors:** (1) China Travel Service, a company incorporated in Hong Kong with limited liability
- (2) Findco Enterprises, a company incorporated in Western Samoa with limited liability. Findco Enterprises is a nominee company of China Travel Service which holds 10% of the equity interests in SDFP.

As informed by the Vendors, China Travel International Investment Hong Kong Limited (stock code: 308) (“CTII”) holds an indirect equity interests of 100 % in the Vendors, which in turn, together hold 100% equity interests in SDFP. Based on the convertible bonds offering document of CTII dated 25 September, 2003, CTII is a subsidiary of China Travel Service (Holdings) Hong Kong Limited which is ultimately owned by the State Council and is under the administration of the Central Government of the PRC.

The Company confirms that, to the best of the Directors’ knowledge, information and belief and having made all reasonable enquiries, CTII, the Vendors and CTII’s ultimate beneficial owner and their respective Associates are third parties independent of the Company and its connected persons and are not connected persons of the Company.

**Assets to be acquired**

- (i) the entire issued share capital of SDFP; and
- (ii) the Shareholder’s Loan owed to China Travel Service by SDFP.

**Consideration**

The Consideration amounts to HK\$500 million and will be settled as follows:

- (i) HK\$250 million in cash, of which HK\$25 million deposit will be placed in an escrow account within 2 Business Days from the date the title deeds are provided to Walterford. The deposit will represent part payment of the Consideration; and
- (ii) Convertible Notes in the aggregate principal amount of HK\$250 million.

The anticipated plan to finance the Consideration has been disclosed in the Announcement.

A summary of the differences in the principal terms between the Preliminary Agreement and SP Agreement is set out below:

- (i) China Travel Service is the only vendor in the Preliminary Agreement and there are two vendors, namely China Travel Service and Findco Enterprises, in the SP Agreement. Also, the Company and CTII have been joined as parties to the SP Agreement to guarantee the performance of the obligations of Walterford and the Vendors respectively;
- (ii) it is stated in the Preliminary Agreement that the HK\$25 million deposit will be placed in an escrow account upon signing of the formal SP agreement and will be released to the China Travel Service within 14 days after Walterford is satisfied with the relevant due diligence result, whereas in the SP Agreement, the HK\$25 million deposit will be placed in an escrow account within 2 business days from the date the title deeds are provided to Walterford and that the same will be paid to the China Travel Service upon Completion;
- (iii) as a condition in the Preliminary Agreement, SDFP shall have at least HK\$30 million net current asset as at the date of Completion of the SP Agreement and China Travel Service shall be entitled to divest such other assets of SDFP at book value back to the China Travel Service before Completion; this is not a condition in the SP Agreement;
- (iv) as a condition in the SP Agreement, Walterford will have to satisfy at its absolute discretion with the results of the due diligence review to be conducted; this is not a condition in the Preliminary Agreement;
- (v) as a condition in the SP Agreement, the Shares shall continue to be traded on the Stock Exchange (but any temporary suspension not exceeding 35 consecutive trading days (as defined in the Listing Rules) excluded) and no indication being received by the Company on or before the date of Completion of the SP Agreement from (i) the Stock Exchange indicating that it shall object to the continued listing of the Shares and (ii) the SFC indicating that it shall exercise its powers under Part 3 of the Securities and Futures (Stock Market Listing) Rules; this is not a condition in the Preliminary Agreement; and
- (vi) in the SP Agreement, Completion of the SP Agreement is conditional upon the conditions being satisfied or waived by Walterford in the case of the condition relating to satisfaction of the due diligence results as stated above, on or before the date being the earlier of 34 Business Days from the date of the SP Agreement and (ii) 20 Business Days from the date the title deeds are supplied to Walterford or in the case of the other conditions as stated above, 2 June, 2005 (or such later date(s) as the parties may agree); this is different from the term in the Preliminary Agreement which provides that there is no long stop date for the fulfillment of the conditions set out in the Preliminary Agreement and the Preliminary Agreement shall expire on 2 February, 2005 (or such later date as the parties may agree) or upon the execution of the SP Agreement; and

(vii) in the SP Agreement, it is stated that the Consideration will be adjusted downward on a dollar-to-dollar basis should the net current asset value (being the current assets of SDFP less its current liabilities as at the date of Completion) of the accounts of SDFP be less than HK\$30 million and vice versa; this is not a term in the Preliminary Agreement.

The form of Consideration has been agreed between Walterford, the Company and the Vendors after arm's length negotiation. The Directors (including the independent non-executive Directors) consider the proposed payment terms of the Consideration under the SP Agreement are fair and reasonable.

As stated in the Announcement, the Consideration was determined with reference to the book value of the Shareholder's Loan and the Net Asset Value of SDFP as shown in the unaudited management accounts of SDFP as at 31 December, 2004. The basis of the Consideration in the SP Agreement is different from the basis of the Consideration as stated in the Announcement. This is due to the fact that, subsequent to the publication of the Announcement, the Directors have obtained a preliminary valuation on Hotel Grandeur Macau by an independent valuer for reference purpose, who valued the same at about HK\$ 520,000,000 as at 1 February, 2005. As Hotel Grandeur Macau constitutes the principal asset of SDFP, the Directors consider that it would be prudent and appropriate to base the Consideration on such valuation which was obtained from an independent professional valuer.

After taking into consideration such preliminary valuation, the Consideration therefore was derived, among others, on the basis of (i) an agreed valuation of the Hotel Grandeur Macau of HK\$470 million; and (ii) net current assets of SDFP as at the date of Completion of HK\$30 million which was determined with reference to the unaudited net current assets of SDFP of approximately HK\$30 million as at 31 December 2004 (subject to adjustment). The deemed valuation of Hotel Grandeur Macau of HK\$470 million was agreed after arm's length negotiation between the Vendors, Walterford and the Company.

#### **Principal terms of the Convertible Notes**

The principal terms of the Convertible Notes are the same as disclosed in the Announcement. The Directors would like to emphasise that the Convertible Notes will be secured by the Company mortgaging the Properties in favour of the Vendors. The conversion price of the Convertible Notes is subject to usual adjustment provisions for convertible securities of similar type. The adjustment events will arise as a result of certain change in the share capital of the Company including consolidation or sub-division or capitalisation of profits or reserves, capital distributions in cash or specie or an issue of Shares wholly for cash being made by the Company or any of its subsidiaries of securities convertible into or exchangeable for or carrying rights of subscription for new Shares, and an issue of Shares wholly for cash or an issue of Shares for the acquisition of assets.

Please refer to the Announcement for the effects on the shareholding structure of the Company following the exercise of the conversion rights under the Convertible Notes. To the best of the Directors' knowledge, information and belief, there is no change in shareholding structure of the Company as disclosed in the Announcement since the date of the Announcement.

**Memorandum of key commercial terms of the Management Agreement**

SDFP and the Vendors have also entered into a memorandum of key commercial terms for the Management Agreement on 2 February, 2005. Indicative key terms of the memorandum of key commercial terms are as follows:–

Term	5 years terminable by one year's advance notice (or the equivalent of one year's compensation) to the other party
Base fee	2% of gross revenues of SDFP
Incentive fee	4% of gross operating profit of SDFP

The memorandum of key commercial terms including fees and the payment terms which will be subject to further negotiation of the parties and the memorandum is a summary of key commercial terms and the detail terms of which is subject to further negotiations and discussions by the relevant parties. Terms of the Management Agreement will be finalised and disclosed in a further announcement upon Completion.

The memorandum of key commercial terms does not constitute an on-going connected transaction to the Company at this stage as the Vendors are third parties independent of the Company and its connected persons. Should the Vendors exercise the conversion rights under the Convertible Notes and become a Shareholder holding more than 10% interests in the Company, the Vendors will become the connected persons of the Company and the Management Agreement will therefore constitute a connected transaction for the Company. The Company will closely monitor the shareholding of the Vendors and comply with the Listing Rules requirements from time to time.

**Conditions of the SP Agreement**

Completion is conditional upon the following conditions being satisfied or waived by Walterford in the case of the condition (a) as stated below, on or before the date being the earlier of (i) 34 Business Days from the date of the SP Agreement and (ii) 20 Business Days from the date the title deeds have been supplied to Walterford or in the case of the conditions (b) to (g) as stated below, 2 June, 2005 (or such later date(s) as the parties may agree):–

- (a) Walterford being satisfied at its absolute discretion with the results of the due diligence review to be conducted;
- (b) the passing by the Shareholders at a special general meeting to be convened of the ordinary resolution(s) approving the transaction(s) contemplated under the SP Agreement;
- (c) the Stock Exchange granting the listing of and permission to deal in the Shares to be issued upon the exercise of the conversion rights in respect of the Convertible Notes; and

- (d) the Shares continuing to be traded on the Stock Exchange (but any temporary suspension not exceeding 35 consecutive trading days (as defined in the Listing Rules) excluded) and no indication being received by the Company on or before the date of Completion from (i) the Stock Exchange indicating that it shall object to the continued listing of the Shares and (ii) the SFC indicating that it shall exercise its powers under Part 3 of the Securities and Futures (Stock Market Listing) Rules;
- (e) all warranties remaining true and accurate and are not misleading in any material respect;
- (f) all necessary statutory, governmental and regulatory obligations in Hong Kong, Macau and other jurisdiction (if applicable) having been complied with and all necessary regulatory, governmental and third party consents and waivers in relation to the implementation of any terms of the SP Agreement by Walterford having been obtained unconditionally; and
- (g) all necessary statutory, governmental and regulatory obligations in Hong Kong, Macau and other jurisdiction (if applicable) having been complied with and all necessary regulatory, governmental and third party consents and waivers in relation to the implementation of any terms of the SP Agreement and the mortgage by the Vendors having been obtained unconditionally.

Please refer to the Announcement for (i) details of the Hotel Grandeur Macau; (ii) the financial effects of the Proposed Acquisition on the Group; and (iii) reasons for the Proposed Acquisition and entering into of the Management Agreement.

#### **LISTING RULES IMPLICATIONS**

The Proposed Acquisition under the SP Agreement constitutes a very substantial acquisition for the Company under the Listing Rules and will be subject to, inter alia, approval of the Shareholders at the SGM. A circular containing, among other things, further details on the Proposed Acquisition and the SP Agreement together with a notice convening the SGM will be despatched to the Shareholders as soon as practicable in accordance with the Listing Rules.

#### **DEFINITIONS**

In this announcement, unless the context otherwise requires, the following terms shall have the following meanings:

- “Announcement” : the announcement of the Company dated 27 January, 2005 in relation to the Preliminary Agreement
- “Associates” : has the same meaning ascribed thereto under the Listing Rules
- “Business Day(s)” : a day other than a Saturday or Sunday on which banks are open in Hong Kong to the general public for business
- “Board” : the board of Directors

- “China Travel Service” : China Travel Service (Hong Kong) Limited, a company incorporated in Hong Kong with limited liability
- “Company” : 139 Holdings Limited (Stock code: 139), a company incorporated in Bermuda with limited liability, the issued Shares of which are listed on the Main Board of the Stock Exchange
- “Completion” : completion of the Proposed Acquisition in accordance with the terms and conditions of the SP Agreement
- “connected person(s)” : has the same meaning ascribed thereto under the Listing Rules
- “Consideration” : HK\$500 million, being the aggregate consideration payable by Walterford to the Vendors pursuant to the SP Agreement
- “Convertible Notes” : convertible notes in the aggregate principal amount of HK\$250 million to be issued by the Company, details of which are set out in the paragraph headed “Principal terms of the Convertible Notes” in the Announcement and in this announcement
- “Findco Enterprises” : Findco Enterprises Limited, a company incorporated in Western Samoa with limited liability
- “Group” : the Company and its subsidiaries
- “Hong Kong” : the Hong Kong Special Administrative Region of the People’s Republic of China
- “Listing Rules” : the Rules Governing the Listing of Securities on the Stock Exchange
- “Macau” : the Macau Special Administrative Region of the People’s Republic of China
- “Management Agreement” : the hotel management agreement to be entered into between SDFP and the Vendors (or its assignee)
- “Net Asset Value” : the net asset value of SDFP of approximately HK\$61.64 million (as adjusted after the Announcement and subject to further adjustment) as at 31 December, 2004
- “Preliminary Agreement” : the legally binding preliminary sale and purchase agreement dated 19 January, 2005 and entered into between Walterford and China Travel Service setting out the preliminary terms between the parties thereto in connection with the Proposed Acquisition

“Properties”	:	the Hotel Grandeur Macau and certain car park spaces in Macau
“Proposed Acquisition”	:	the proposed acquisition by Walterford from the Vendors of the entire issued share capital of SDFP and the Shareholder’s Loan
“SDFP”	:	Sociedade De Fomento Predial Fu Wa (Macau) Limitada, a company incorporated under the laws of Macau
“Share(s)”	:	share(s) of the Company of HK\$0.01 each
“Shareholder(s)”	:	the holder(s) of the Share(s)
“SFC”	:	the Securities and Futures Commission
“SGM”	:	the special general meeting of the Shareholders to be convened and held to consider and, if thought fit, to approve the SP Agreement
“Shareholder’s Loan”	:	the shareholder’s loan of approximately HK\$422.79 million (as adjusted after the Announcement and subject to further adjustment) owed to China Travel Service by SDFP as at 31 December, 2004 plus all interest accrued thereon
“SP Agreement”	:	the sale and purchase agreement entered into between Walterford, the Company, CTII and the Vendors in relation to the Proposed Acquisition dated 2 February, 2005
“Stock Exchange”	:	The Stock Exchange of Hong Kong Limited
“Vendors”	:	China Travel Service and Findco Enterprises
“Walterford”	:	Walterford Company Limited, a company incorporated in the British Virgin Islands with limited liability and a wholly owned subsidiary of the Company
“HK\$”	:	Hong Kong dollars, the lawful currency of Hong Kong
“%”	:	per cent.

By order of the Board  
**139 Holdings Limited**  
**Wong Howard**  
*Executive Director*

4 February, 2005, Hong Kong

*As at the date hereof, the executive Directors are Mr Wong Howard, Mr Wong Yat Fai, Mr Wu Qing and Ms Lo Ki Yan, Karen and the independent non-executive Directors are Mr Li Chi Ming, Mr Tung Tat Chiu, Michael and Mr Wan Ngar Yin, David.*

\* *For identification purposes only*

**RESPONSIBILITY STATEMENT**

This circular includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Group. The Directors collectively and individually accept full responsibility for the accuracy of the information contained in this circular and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief there are no other facts the omission of which would make any statement in this circular misleading.

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**APPENDIX III                      PROCEDURES BY WHICH SHAREHOLDERS MAY  
DEMAND A POLL AT THE SGM**

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The following sets out the procedures by which the Shareholders may demand a poll at the SGM.

According to bye-law 79 of the bye-laws of the Company, a resolution put to the vote at a special general meeting shall be decided on a show of hands unless a poll is (before or on the declaration of the result of the show of hands or on the withdrawal of any other demand for a poll) demanded:

- (i) by the chairman of such meeting; or
- (ii) by at least three Shareholders present in person (or, in the case of a Shareholder being a corporation, by its duly authorised representative) or by proxy for the time being entitled to vote at the meeting; or
- (iii) by any Shareholder or Shareholders present in person (or, in the case of a Shareholder being a corporation, by its duly authorised representative) or by proxy and representing not less than one-tenth of the total voting rights of all Shareholders having the right to vote at the meeting; or
- (iv) by any Shareholder or Shareholders present in person (or, in the case of a Shareholder being a corporation, by its duly authorised representative) or by proxy and holding Shares conferring a right to vote at the meeting being Shares on which an aggregate sum has been paid up equal to not less than one-tenth of the total sum paid up on all the Shares conferring that right.

A demand by a person as proxy for a Shareholder or in the case of a Shareholder being a corporation by its duly authorised representative shall be deemed to be the same as a demand by a Shareholder.

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## NOTICE OF SGM

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### **139 HOLDINGS LIMITED** **( 139 控 股 有 限 公 司 ) \***

*(Incorporated in Bermuda with limited liability)*

(Stock Code: 139)

**NOTICE IS HEREBY GIVEN** that a special general meeting (the “SGM”) of the shareholders of 139 Holdings Limited (the “Company”) will be held at Business Centre, The Empire Hotel Hong Kong, 33 Hennessy Road, Wanchai, Hong Kong, on Friday, 4 March 2005 at 9:30 a.m. for the purpose of considering and, if thought fit, passing with or without amendments, the following resolution as an ordinary resolution of the Company:

#### **ORDINARY RESOLUTION**

“**THAT**, subject to and conditional upon the Listing Committee of The Stock Exchange of Hong Kong Limited granting the listing of, and permission to deal in, the shares of HK\$0.01 each in the Company (the “Placing Shares”) to be placed to not less than six places pursuant to (i) the placing agreement (the “Fully Underwritten Placing Agreement”) in relation to the placing of 2,000,000,000 new Placing Shares on a fully underwritten basis; and (ii) the placing agreement (the “Best Effort Placing Agreement”) in relation to the placing of 2,000,000,000 new Placing Shares on a best effort basis, both dated 27 January 2005 and entered into between the Company and Tai Fook Securities Company Limited,

- (A) the placing of 2,000,000,000 Placing Shares pursuant to the Fully Underwritten Placing Agreement be and is hereby approved;
- (B) the placing of 2,000,000,000 Placing Shares pursuant to the Best Effort Placing Agreement be and is hereby approved; and
- (C) the directors of the Company be and are hereby authorised to (i) allot and issue of the Placing Shares; and (ii) to do all such acts and things as they consider necessary, desirable or expedient to give effect to any or all other transactions contemplated in this resolution.”

By order of the Board  
**139 Holdings Limited**  
**Wong Howard**  
*Director*

Hong Kong, 16 February 2005

\* *For identification purposes only*

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## NOTICE OF SGM

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*Executive Directors:*

Wong Howard (*Chief executive officer*)  
Wong Yat Fai  
Wu Qing  
Lo Ki Yan, Karen

*Registered office:*

Clarendon House  
2 Church Street  
Hamilton HM 11  
Bermuda

*Independent non-executive Directors:*

Li Chi Ming  
Tung Tat Chiu, Michael  
Wan Ngar Yin, David

*Head office and principal place  
of business in Hong Kong:*

Room 1603-5  
Harcourt House  
39 Gloucester Road  
Wanchai  
Hong Kong

*Notes:*

1. A member entitled to attend and vote at the SGM is entitled to appoint one or more proxy to attend and, subject to the provisions of the bye-laws of the Company, to vote on his behalf. A proxy need not be a member of the Company but must be present in person at the SGM to represent the member. If more than one proxy is so appointed, the appointment shall specify the number and class of shares in respect of which each such proxy is so appointed.
2. A form of proxy for use at the SGM is enclosed. In order to be valid, the form of proxy must be duly completed and signed in accordance with the instructions printed thereon and deposited together with a power of attorney or other authority, if any, under which it is signed, or a certified copy of such power or authority, at the Company's share registrar in Hong Kong, Tengis Limited at Ground Floor, Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong not less than 48 hours before the time appointed for holding the SGM or any adjournment thereof. Completion and return of a form of proxy will not preclude a member from attending in person and voting at the SGM or any adjournment thereof, should he so wish.
3. In the case of joint holders of shares, any one of such holders may vote at the SGM, either personally or by proxy, in respect of such share as if he was solely entitled thereto, but if more than one of such joint holders are present at the SGM personally or by proxy, that one of the said persons so present whose name stands first on the register of members of the Company in respect of such shares shall alone be entitled to vote in respect thereof.